

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of

Technology Transitions

Connect America Fund

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GN Docket No. 13-5

WC Docket No. 10-90

**Comments of the Vermont Telecommunications  
Authority**

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## **SUMMARY**

**The Commission's \$100 million budget for rural next-generation networks in this Docket should not include recurring support so that applications of for leveraged financing can be developed. Leveraged financing also requires the Commission's commitment to recurring support from allocated funds in the future.**

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**Comments of the Vermont Telecommunications  
Authority**

The Vermont Telecommunications Authority (VTA)<sup>1</sup> responds to the Commission's request for comments in the Notice of Proposed Rulemaking and Order adopted on January 30, 2014 that includes the dockets referenced above.<sup>2</sup> The VTA limits its comments to the selection of funding criteria for competitive bidding next-generation network applications.<sup>3</sup>

**THE BUDGET SHOULD BE EXPANDED AND REFLECT RECURRING  
SUPPORT OVER TEN YEARS.**

In its discussion of next-generation network experiment objectives, the Commission indicates that it *may* commit to recurring support over a period of up to ten years for experimental projects, *if* funds are available.<sup>4</sup> A lack of commitment to the size of the project budgets and recurring funding will adversely affect applicants in the short planning process.<sup>5</sup> The VTA therefore respectfully requests clarification of whether the budget for the rural experimental project, drawn from funds *currently*

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<sup>1</sup> VTA is a public instrumentality of the State of Vermont formed by the legislature and dedicated to developing and funding broadband and cellular infrastructure in unserved and underserved parts of the State. See 30 V.S.A. §8061. The VTA filed an EOI in this docket on March 7, 2014.

<sup>2</sup> ***Order, Report And Order And Further Notice Of Proposed Rulemaking, Report And Order, Order And Further Notice Of Proposed Rulemaking, Proposal For Ongoing Data Initiatives, Dockets No. GN 13-5, GN 12-353, WC 10-90, CG 10-51, CG 03-123, WC 13-97 (January 31, 2014) (herein "NPRM").***

<sup>3</sup> Id. at Para. 92.

<sup>4</sup> Id. at Para. 125 (emphasis added).

<sup>5</sup> Id. at Para. 109 (applications due in 60 days after the Commission's decision in the NPRM).

available from the Connect America Fund reserve account includes both amounts for recurring and non-recurring support, or only non-recurring support, and whether the Commission has identified a maximum annual allocation per project.

The Commission targets a budget of up to \$100 million in unallocated Connect America Funds aggregated in a reserve account, the remainder of the *annual* \$4.5 billion Connect America Fund.<sup>6</sup> The Commission asks, however, whether the budget should be larger than \$100 million.<sup>7</sup> The VTA believes that the large number of Expressions of Interest filed in response to the Commission's request is evidence of a high demand for the program, and the Commission should set the budget at no less than \$100 million, and if possible, higher.

In addition, the VTA seeks clarification whether support may be allocated on an *annual* basis for up to ten years<sup>8</sup> to account for recurring support of the selected on-going network projects, separate from the funds currently available in the reserve account, or whether the initial budget for the program includes all amounts requested as recurring support. The VTA requests that the Commission clarify that proposals containing recurring support are not limited to the amounts currently available as part of the reserve account. Otherwise, the scale of the budget set by the reserve account may limit applications for robust the next-generation networks for two reasons: the cost of such networks and difficulty in bringing to bear non-Federal governmental sources of funding on projects below a certain size. If the Commission does make this clarification, the VTA believes that the Commission will achieve a greater range of strategies and proposals in a full-fledged competitive bidding process.

The Commission affirmed that support for selected projects would not be greater than model-based support per location.<sup>9</sup> At the same time, the Commission questioned whether experimental objectives can be met at less than model-based support per location.<sup>10</sup> The Commission's guidance is understood as an indication that it will accept a wide range of funding requests. The VTA believes it is unlikely that the Commission will achieve "services with performance characteristics well in excess of the minimum standards" if the budget-constrained program encourages applicants to compete mainly on the basis of cheaper deployments in rural high-cost areas.

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<sup>6</sup> *Id.* at 203.

<sup>7</sup> *Id.* Para. 204 ("Should we make available \$50 or \$100 million or some other amount in total support for experiments? Should we allocate a lesser or greater amount?").

<sup>8</sup> *Id.* at Para. 125 (The Commission will accept proposals for recurring support up to ten years).

<sup>9</sup> *Id.* at Para. 112.

<sup>10</sup> *Id.* at Para 94.

The range of participants encouraged by the Commission includes government and public/private partnerships.<sup>11</sup> Those participants may contribute resources that leverage CAF awards over ten-year investments. For example, the VTA has the ability to seek bond revenues if there is recurring CAF support for a period of years (subject to standard conditions) if its approved project is sufficient in scale. Public/private financing requires the Commission's commitment to recurring support over this period, as well as a project scale conducive to leveraged financing.

Although the Commission leaves the door open to applications for next-generation networks of "all shapes and sizes" by a range of participants, applications that leverage CAF investment require the Commission's guidance on the size and duration of funding available. If the available funds are capped at amounts already in the reserve account, including ten years' of recurring support, and are spread across a large number of experimental networks,<sup>12</sup> proposals of sufficient scale to leverage bonds or commercial financing will be "dead on arrival."<sup>13</sup> The VTA believes some of the most significant experiments in rural network deployment will require allocation of annual support of material scale.<sup>14</sup> To that end the VTA respectfully asks that the Commission confirm the range of financing available annually per project, as an indication of the number of projects it will accept. An "average" or target per-project allocation could be designated, coupled with the Commission's commitment to draw future recurring support from future Connect America Funds, especially to the extent that the experiments tackle areas that the Commission's model predicts are costly and difficult to serve with robust network solutions.

Although the Commission indicates it wishes to allocate only a portion of unallocated funds to rural network projects, the Commission also acknowledges the growing percentage of impoverished Americans is located rural, high-cost areas. This factor alone is justification enough for the Commission to expand the budget of Connect America Funds designated for the next-generation networks experiment, and to commit to recurring support for experimental projects that achieve universal service objectives in rural communities from the \$4.5 billion Connect America Fund.

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<sup>11</sup> *Id.* at Paras. 104,122.

<sup>12</sup> *Id.* Para 88. Perhaps those statistics help to account for the filing of over 1,000 expressions of interest in experimental network funding in this Docket.

<sup>13</sup> The due diligence costs alone of bonding projects can be hundreds of thousands of dollars and therefore require project support that exceeds several million dollars annually.

<sup>14</sup> While it proposes a model for broadband deployment that can be replicated, the VTA notes that there are numerous census blocks that qualify for experimental networks in Vermont alone.

SELECTIVE CRITERIA SHOULD FAVOR PROPOSALS THAT INCLUDE  
INNOVATIVE STRATEGIES TO LEVERAGE NON-FEDERAL GOVERNMENTAL  
SOURCES OF FUNDING

The VTA supports the Commission's proposal to include in the selection criteria the extent to which applicants propose innovative strategies to leverage non-Federal governmental sources of funding, such as State, local, or Tribal government funding.<sup>15</sup> Non-federal sources of governmental funding will help the Commission expand the impact of CAF and the Commission's program funding, especially now that the Commission has capped the overall size of the Fund. Vermont, as an example, has focused resources on shared infrastructure development and support of broadband deployments by regional service providers. Prioritizing innovative strategies that leverage non-Federal funding is consistent with the Commission's invitation to create partnerships or consortia that reflect local resources, consumers and experience. Selection criteria that emphasize leveraging innovative resources, both in participants and funding, will produce network experiments that are tailored to rural communities and achieve best results for the Commission's program.

CONCLUSION

For the foregoing reasons, the VTA respectfully requests that the Commission clarify its funding budget for next-generation experiments, and prioritize innovative non-Federal funding in this proceeding in accordance with the views expressed herein.

Respectfully submitted,

VERMONT TELECOMMUNICATIONS AUTHORITY

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<sup>15</sup> Id. Para 215.